

December 19, 2002

The Honorable Michael M. Foreman
Clerk of the Circuit Court
City of Winchester

City Council
City of Winchester

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the City of Winchester for the period October 1, 2001 through September 30, 2002.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system. However, we noted (a) weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

Collect Taxes and Fees on Wills and Administrations

As noted in the past several audits, the Clerk continues to improperly wait on the Commissioner of Accounts' final inventory before collecting the required fees and taxes on wills and administrations. Section 58.1-1714 of the Code of Virginia requires the Clerk to collect these fees and taxes at the time of qualification. In five of ten wills tested, the Clerk allowed individuals to qualify without collecting the required fees and taxes. The Clerk has not billed \$2,186 in fees and taxes for wills qualified up to five months ago. The Clerk should assess fees and taxes using the estimated value of the estate at the time of qualification to avoid further delay in collecting state and local monies. Failure of the Clerk to properly assess and collect fees and taxes upon qualification results in non-compliance with state laws and regulations and could result in a loss of revenue for the Commonwealth.

Properly Reconcile Bank Account

The bookkeeper does not properly identify and correct differences found between the bank account, the court's automated financial system, and the checkbook. Specifically, we found reconciling items ranging

The Honorable Michael M. Foreman

in amounts from \$2 to \$229 on all bank reconciliations tested since November 2001. We found that some of the reconciling items resulted from timing differences, however the bookkeeper did not identify and determine the reasons for the discrepancies. Failure to properly identify and correct differences found between the bank account, the court's financial system, and the checkbook could result in errors or irregularities going undetected. The Clerk should ensure the bookkeeper receives the proper training to reconcile the bank account to the court's financial system monthly, and promptly corrects any discrepancies. Additionally, the Clerk should review and sign the bank reconciliation to show that he has reviewed and approves of the bookkeeper's disposition of all differences.

Improve Trust Fund Management

The Clerk's annual trust fund report to the Court does not contain the manner in which the funds are invested or the approximate payout date as required by Section 8.01-600 (G) of the Code of Virginia. The Clerk should ensure he includes all required trust fund information on the annual trust fund report to the Court. Failure to include all required information results in non-compliance with state laws and regulations and could result in inaccurate reporting of monies held by the Court.

We discussed these comments with the Clerk on December 19, 2002 and we acknowledge the cooperation extended to us by the Court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK/cam

cc: The Honorable John E. Wetsel, Jr., Chief Judge
Edwin F. Dailey, City Manager
Bruce Haynes, Executive Secretary
Compensation Board
Paul Delosh, Technical Assistance
Supreme Court of Virginia
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